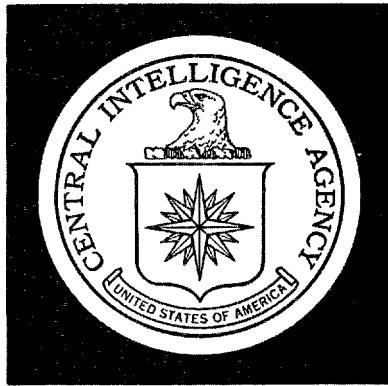


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C South Vietnam: The pace of military activity over most of the country on 29 July remained at a low level.

Some sharp ground fighting flared again west of Saigon, however. US troops during the past two days have sought out and engaged Communist formations in Hau Nghia Province near the Cambodian border. Enemy losses as a result of these actions have been heavy, with well over 100 Communist troops killed.

Although these recent encounters have occurred along known infiltration routes toward Saigon, there are no hard indications that the enemy is planning a new move against the capital city.

American casualty figures for the week ending 26 July are the lowest since the first week of the year. Enemy-initiated incidents during the same period fell off to the levels of early January.

 (Map)]

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USSR: Soviet leaders

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[redacted] displayed the "detente diplomacy" which the USSR is currently aiming at the West.

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In discussing the familiar idea of a European security conference, Premier Kosygin and Foreign Minister Gromyko were at pains to appear responsive [redacted] but remained otherwise ambiguous.

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Kosygin spoke in vague terms of a "general conference" for broad discussion of problems, to be followed by a series of smaller conferences. Gromyko reiterated the line that "Europeans"--including the USSR and East Germany--should decide among themselves whether or not to include "non-Europeans," that is, the US and Canada. As for an agenda, Gromyko said only that the USSR would present its views "at the proper time." In short, the Soviets showed interest in a dialogue but no eagerness to resolve outstanding European issues [redacted]

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The USSR's concern about China has fed speculation in Western Europe that Moscow is in a mood to reduce tensions there, a notion Moscow has done nothing to discourage. [redacted]

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[redacted] about Soviet Asian policy, Kosygin asserted that the US shares Moscow's concern about "that continent." He said that if military conflict were to break out between the USSR and China it would involve many states. He also claimed that Moscow "is doing all it can discreetly to end the Vietnam war." [redacted]

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International Trade: The prompt reaction of the European Communities to recent reductions in the prices of US and Canadian wheat confronts the major wheat exporting countries with the prospect of all-out price competition.

At a meeting earlier this week, the EC Council authorized the Commission to reduce wheat export prices below the minimums prescribed by the International Grains Agreement unless the US and Canada cancel their recent unilateral price reductions. The Council also withdrew the Communities' offer to stop subsidizing exports of wheat to Far Eastern markets traditionally supplied by the US and Australia.

The Communities seem to feel that the US price reduction has raised a question of good faith. Their offer to stop subsidizing Far Eastern wheat exports had been based on their stated assumption that the US and Canada would not lower their wheat prices. The EC Council now believes that, in the face of the US and Canadian reductions, the Community must make price cuts of its own to keep its wheat competitive.

Since the Communities may find it difficult to finance all-out price competition, it is not clear to what extent the commission will use the authority it has been given to lower prices. A meeting of the grain exporting nations in London on Friday may help to cool the situation.

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Paraguay: President Stroessner has decided to increase his ability to deal with political unrest.

He has approved a draft law which, among other stringent provisions, raises the penalty for "subversion or incitement to hate or violence" to a new high of imprisonment for up to 15 years. The draft now must be sent to Congress, where it is almost certain to be accepted despite vociferous protests from the weak opposition parties.

Political agitation, which peaked during Governor Rockefeller's visit in June, has calmed down somewhat in recent weeks. Therefore, opposition leaders are likely to view the new law as unnecessarily severe. Although it will give Stroessner more punitive powers, the law is likely to become a focal point for continued unrest and discontent.

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El Salvador - Honduras: The OAS foreign ministers last night unanimously approved resolutions calling for the immediate withdrawal of Salvadoran forces and guarantees for the safety of Salvadorans living in Honduras. Orders have already been sent to Salvadoran theater commanders to begin preparations for withdrawal. Considerable difficulties are likely to be encountered in establishing a line between the two sides, however, because the border is undefined through the remote and inaccessible mountain areas.

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The Netherlands: The Dutch Government has decided to withdraw from the multi-role combat aircraft consortium (MRCA). Defense Minister Den Toom says the Dutch need a fairly simple, outstandingly maneuverable fighter by 1975, whereas they believe that the MRCA would not be available until 1977-78 and that the present UK-German plans call for an aircraft too complicated and too expensive for the Dutch. The Dutch decision is unlikely to disturb London and Bonn's determination to proceed with the MRCA project, with which Italy is also associated. The Dutch now intend to sound out other European countries about evaluating various aircraft, including US ones.

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Ethiopia: The Eritrean Liberation Front (ELF) is threatening to step up its terrorist campaign against Ethiopian Airlines. In a note sent to an official of an American airline, the ELF claims it now intends to sabotage Ethiopian planes in the air. In attacks in March and June on aircraft in Frankfurt and Karachi, the terrorists damaged the planes on the ground but avoided injuring passengers.

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UN: The recent US proposal setting forth criteria for determining a small state's eligibility for UN membership has received almost no support from the permanent members of the Security Council. Most of them are reluctant to discuss the "ministates" question. The UK believes the criteria pose problems for handling British territories on the road to independence and will probably push for an exhaustive study of the question. The USSR may try to use the proposal for propaganda purposes, posing as the champion of the aspirations of the less developed nations.

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